

Message Text

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ACTION EUR-12

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USMISSION EC BRUSSELS
USMISSION NATO BRUSSELS
USMISSION OECD PARIS
AMCONSUL BELFAST
AMCONSUL EDINBURGH
C O N F I D E N T I A L

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E.O. 11652: N/A
TAGS: PGOV, PINT, MILL, EFIN, UK
SUBJECT: SUPPLEMENTARY DEFENSE FUNDS VOTED ON EVE OF
FURTHER CUTS

1. INCLUDED IN THE GOVERNMENT'S ROUTINE "WINTER SUPPLEMENTARY (BUDGET) ESTIMATES" BILL INTRODUCED IN COMMONS DECEMBER 14 WAS AN ADDITIONAL 517 MILLION POUNDS -- ROUGHLY 10 PERCENT OF THE ENTIRE DEFENSE BUDGET FOR THE CURRENT YEAR -- FOR ADDED DEFENSE EXPENDITURES. THE INCREASE, ACCORDING TO GOVERNMENT SPOKESMEN, WAS ALMOST EXCLUSIVELY DUE TO "THE IMPACT OF RISING PRICES IN BRITAIN AND THE EFFECT OF STERLING EXCHANGE RATES".

2. PREDICTABLY, LABOR'S LEFT-WING WAS OUTRAGED. ALMOST REFLEXIVELY OPPOSED TO DEFENSE INCREASES AT ANY TIME, THE
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LEFT-WINGERS ARGUED THAT FURTHER INCREASES ON THE DAY

PRECEDING CHANCELLOR HEALEY'S ANTICIPATED ANNOUNCEMENT OF FURTHER CUTS IN PUBLIC SPENDING (SEPTEL) WERE UNCONSCIONABLE. (ALTHOUGH DEFENSE SPENDING FOR THE FINANCIAL YEARS 1977/78 AND 1978/79 IS EXPECTED TO BE CUT BY 100 AND 200 MILLION POUNDS, RESPECTIVELY, THE WEIGHT OF THE ANTICIPATED CUTS IS EXPECTED TO FALL ON SOCIAL AND EMPLOYMENT-PRODUCING PROGRAMS, BOTH OF WHICH ARE LEFT-WING FAVORITES.) TO DEMONSTRATE ITS DISACCORD WITH THE GOVERNMENT'S PRIORITIES, THE LEFT-WING TRIBUNE GROUP INTRODUCED AN AMENDMENT TO THE SUPPLEMENTAL FINANCE BILL WHICH, IF APPROVED, WOULD HAVE REDUCED THE PROPOSED DEFENSE SUPPLEMENT BY 273 MILLION POUNDS, THE NON-SALARY PORTION OF THE TOTAL. JUST AS PREDICTABLY, THIS AMENDMENT WAS REJECTED WHEN THE CONSERVATIVES THREW THEIR SUPPORT BEHIND THE GOVERNMENT AND LEFT THE LEFT-WINGERS ON THE SHORT END OF A 299 TO 51 VOTE.

3. COMMENT. SINCE THE EFFECTS OF INFLATION AND THE DEPRECIATED POUND ON DEFENSE PROGRAMS ARE OBVIOUS, THERE IS NO DOUBT THAT THE SUPPLEMENTARY BILL WILL ULTIMATELY PASS. THE SOMEWHAT ARCANE ASPECTS OF DEFENSE APPROPRIATION PROCEDURE, HOWEVER, HAVE DONE NOTHING TO IMPROVE THE TEMPER (BAD) WITH WHICH THE LEFT WILL RECEIVE THE CHANCELLOR'S ANNOUNCEMENT LATER TODAY.

ARMSTRONG

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